

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:94
ANSWERED ON:17.02.2006
FISCAL REFORMS FOR STATES
Reddy Shri Karunakara G.

Will the Minister of FINANCE be pleased to state:

- (a) whether the World Bank has recently laid down certain guidelines on fiscal reforms for States and the Centre to achieve developmental goals;
- (b) if so, the details thereof; (
- (c) whether Indian States are among the most indebted in the World ; and
- (d) if so, the action plan of Union Government to reign in the States to help them to reduce their deficit?

Answer

SHRI PAWAN .KUMAR BANSAL Miaister of State in Ministry of Finance

(a): No, Sir.

(b): Does not arise.

(c): In a report `State Fiscal Reforms in India Progress and Prospects` published by the World Bank, it has been mentioned that India`s states seem to be the most highly leveraged in the world. The report has recommended fiscal reforms to increase the development effectiveness of the state governments.

(d): The Central government has accepted the recommendations of the 12th Finance Commission (TFC) with respect to Debt Consolidation and Relief which, inter-alia, requires States to enact their Fiscal Responsibility Legislation, State Governments are also required to draw their own fiscal correction path aimed at bringing their revenue deficit to zero and fiscal deficit to 3% of GSDP by 2008-09. States are expected to undertake fiscal reforms to augment their revenue and prioritize expenditure needs to compress non-plan revenue expenditure. Further, Government of India is also fixing borrowing ceiling of States to contain their fiscal deficits.